

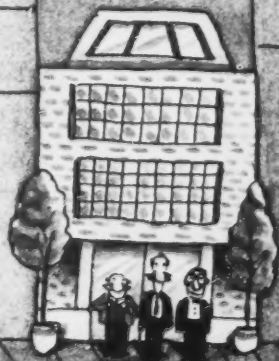
NOVEMBER 4, 1985

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Forbes

THE 200
BEST
SMALL
COMPANIES
IN AMERICA



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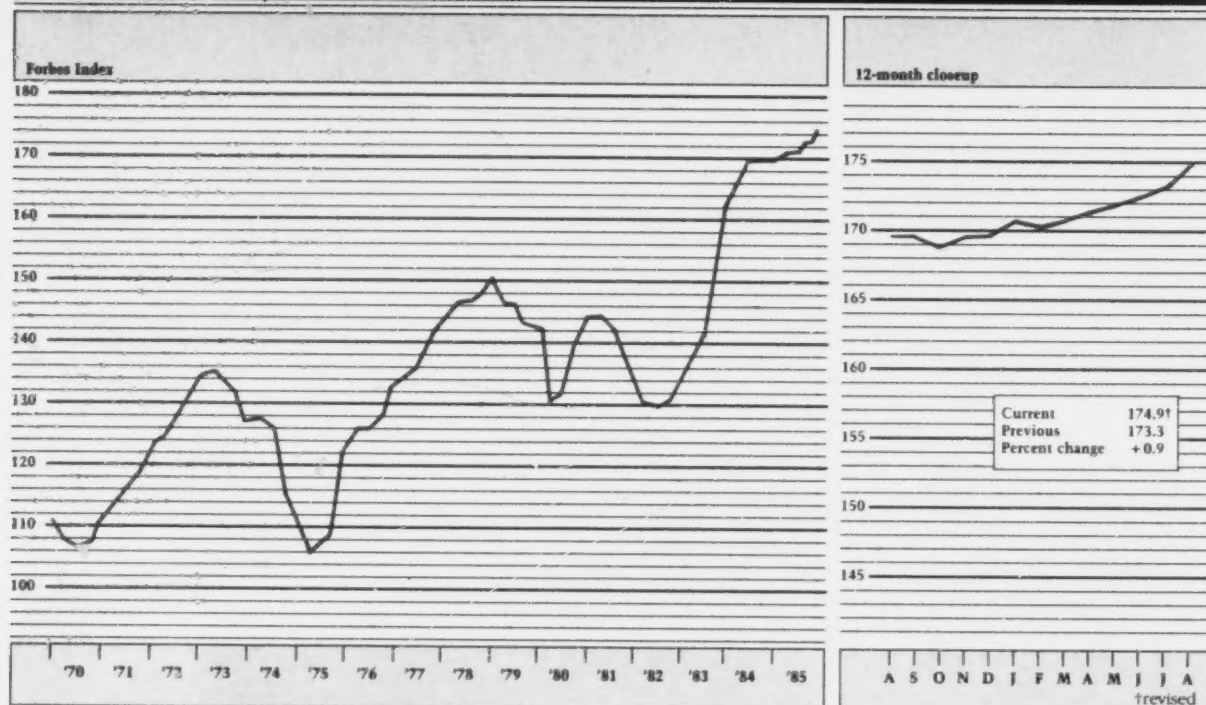
In its most virulent form, it can paralyze. How to cope.

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Cover illustration by Patrick McDonnell

The Forbes Index



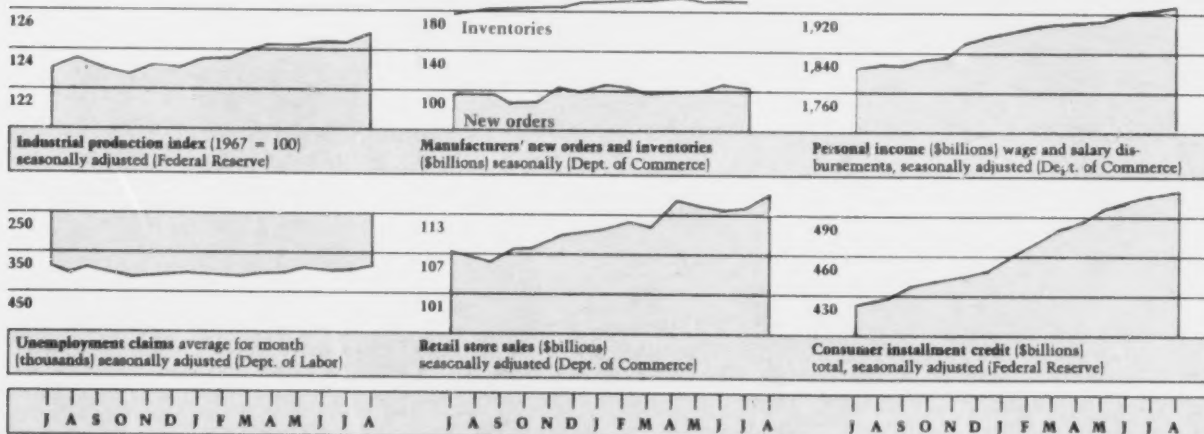
Buy now and try to pay later. Consumer installment credit rose 1.2% over the previous month. This measure of household indebtedness is up 13.2% since December, up 15.5% over the past year. During the same one-year stretch personal income rose 6.4% while the overall Consumer Price Index increased 3.4%. Netting out inflation, the real gain in personal income was only 3%. Next

month's figures on consumer installment credit should be even higher because so many consumers took on additional debt to take advantage of year-end auto rebates and cheap financing. Retail sales may not look so good over the next few months, either. Strapped consumers may be prepared to wait for a new round of rebates rather than pay the higher stickers on 1986 models.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



The 200 Best Small Companies in America

Herewith our nominations
for the best small companies in America,
together with some caveats
about investing in small growth companies.
Conclusion: Staying on top
is at least as tough
as getting on top.

By Gary Slutsker

JUNO LIGHTING INC. of Des Plaines, Ill. is a manufacturer of track- and recessed-lighting fixtures whose sales (\$36 million a year) have grown 20-fold in the past seven years. Sizzler Restaurants International in Los Angeles runs a chain of steak houses (sales, \$166 million). Cordura Corp. (sales, \$50 million), also from Los Angeles, puts out auto repair manuals and price lists for body shops. All three enjoy rapid profit growth—enough to make shareholders rich if it keeps up until the end of the century. But there's the rub: A supersteep growth curve is more often a preliminary to topping out than a sign of continued progress.

Growth alone—past growth—proves almost nothing. Therefore, in selecting America's best small companies, *FORBES* went beyond the usual simpleminded growth measurements. To look more closely at the numbers, at more than growth rates, is the first step in sorting winners from losers. To qualify as one of *FORBES* magazine's 200 Best Small Companies in America, a company had to show a respectable return on equity, relatively low debt and consistency in earnings growth. Meeting these criteria is no guarantee that the company is another Digital Equipment, but it improves the chances.

There are clues on the list that hint at a company's prospects. For example, Optical Radiation, which makes lenses that are implanted in the eye, produced a 30%

return on equity in the latest 12 months, compared with its 14% average over the last five years—a good sign because profits are rising faster than sales. But whereas Optical Radiation has a favorable earnings trend, BGS Systems, the little computer software outfit that is third on the list this year, has an unfavorable trend. BGS racked up a 51% average return on equity over the last five years, but 11% for the latest 12 months. Clearly, a critical eye is needed in interpreting the figures.

Most important in this interpretation is some familiarity with the real world that lies behind the numbers. For Juno Lighting to be a winner, it must continue to design fashionable fixtures and keep its distributors happy. Can it? Sizzler has a formula that works—steak cafeterias. That formula has to keep working, and Sizzler's new concepts have to catch on. Will they? Cordura has to keep its stronghold on body shops as they switch to computerized estimating. Can Cordura cope with the change?

To separate the truly dynamic from the merely hot, you have to look at a broad range of subjective elements that don't show up on any list, even ours. Here are some:

- Is this a fad? That may be the prime question for a fast-growing restaurant chain like Sizzler. Styles come and go, and cafeteria steak houses may go the way of other theme restaurants. Premium ice cream is in. If people get bored with it, then Dreyer's Grand Ice Cream (number 24 on our list) will melt away. Is management sufficiently on the ball to sense and catch the next trend?



The cream of the crop

Look for a specialized market that has withstood the test of time. Lawrence Rader, a growth stock analyst at Merrill Lynch, considers only companies that have been in business for at least 12 years. That's the conservative approach, but it has its merits. And it would eliminate Juno.

- Does the company have something special? Says Elliott Schlang of Prescott, Ball & Turben in Cleveland, "Are they doing something completely different? Or if not different, then are they doing it better?" There's nothing unique about the nuts and bolts Lawson Products distributes. But Lawson's 24-hour delivery isn't matched by lower-cost importers. Cordura's database would be hard to duplicate. It has what analysts call a business franchise—an entrenched position protected from competitors.

- How deep is the management? Companies are started by crusading, creative entrepreneurs. But unchecked entrepreneurial egos can be overpowering. Take the sad case of Zondervan, a Bible seller that made last year's list but dropped out this year. Zondervan President Peter Kladder Jr. whipped up the company to such frenzied growth that its accountants couldn't keep up. Months before Zondervan was charged with inaccurate financial reporting, Kladder was kicked upstairs to chairman.

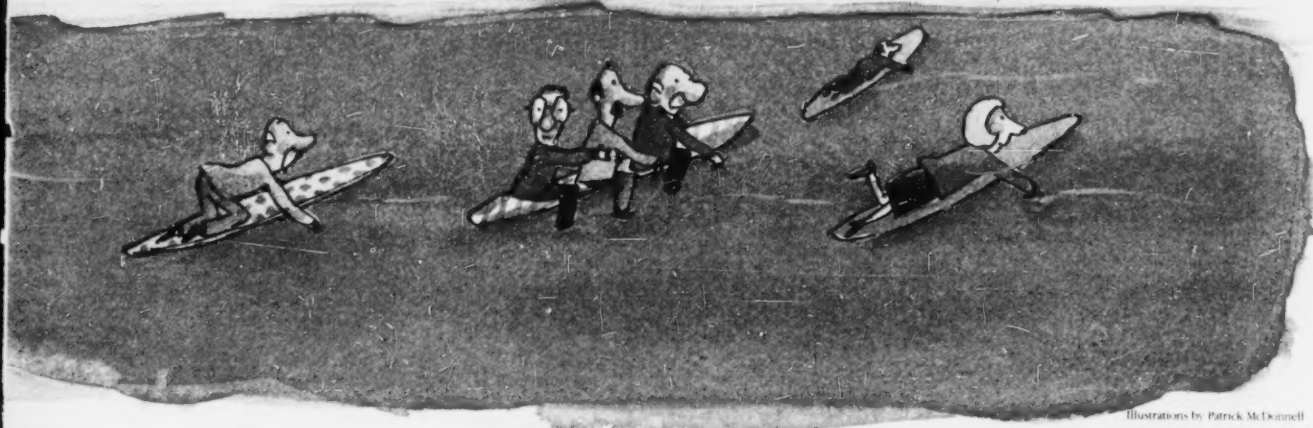
- Is there a focus? "If a company has to spend a paragraph in the annual report defining its product line, then it's time to rethink the product line," says analyst Schlang, who limits to three words company descriptions in his research reports. Carrol's Corp. was near the top of last

How to pick growth stocks

Should you buy small growth stocks? Yes, if they're cheap. To begin, a list of up-and-coming companies is not necessarily a list of up-and-coming stocks. Premier growth stocks command a premium. If the premium is high, you don't get rich buying them, not even if they live up to expectations.

In good part because their prices already discounted their excellent prospects, last year's 300 best small companies, as a group, were merely average performers. They went up an average 12.2% over the past year, roughly matching the Nasdaq index. But note this: The priciest fifth of the group—the 60 with the highest P/Es—went up an average 0.2%, scarcely at all. The cheapest fifth were up an average 22.3%, nearly double the overall performance.

The low-P/E strategy, which columnist David Dreman advocates with fervor, seems to work with small outfits as well as big. It won't work every year; the market goes through manic phases when pricey stocks get even pricier. But buying good, small companies when they are relatively cheap seems an excellent way to stack the odds in your favor.



Illustrations by Patrick McDonnell

Encore

It's slippery up there. Of the 300 companies that made last year's list of the best small companies in America, only 89 returned this year.

Some companies are gone because they grew right out of the small company category (defined as under \$300 million in sales, raised from \$250 million last year): These were: Advanced Semiconductor Materials, Analog Devices, George Banta, Brush Wellman and Liz Claiborne. Ten companies from the 1984 group disappeared via acquisition. Among them: Lil' Champ Food Stores by Docks de France S.A., Security Life Insurance of Georgia by Tenneco, Berg Enterprises by American Can and Verbatim by Eastman Kodak.

But the vast majority of the 211 no-shows were backsliders. We said good-bye to word processor CPT because it lost nearly \$3 million in the last four quarters. Carrol's Corp., a hamburger, nut and chocolate firm, Church & Dwight, the manufacturer of Arm & Hammer baking soda and related products, as well as WD-40, the spray lube company, disappeared because earnings were off. Our minimum 5% earnings gain (most recent 12 months versus year-earlier period) excluded carpetmaker Columbus Mills, which was up only 4.2%.

Alpha Industries, manufacturer of microwave components, was dumped because it now shows a negative five-year earnings growth rate. Zero, a manufacturer of steel boxes for electronic equipment, failed to reappear because its five-year sales growth rate was slightly under the necessary 8% minimum.

High leverage, which we define as a debt-to-equity ratio of 100% or more, is a no-no. That knocked off Acmat, a construction firm, United Cos. Financial, an insurance and loan outfit, and Yankee Cos., which owns oil wells and a thrift.—Steve Kichen

year's list, after cranking out enormous profits from about 100 Burger King franchises. But then Carrol's expanded into strange new areas like nuts and chocolate manufacturing. It quickly discovered the candy business is a lot more like retailing apparel than selling burgers. Now sales are declining in both segments, and earnings have fallen by 29% in the last six months.

Not every company on our list is a specialist, but even the generalists usually have a well-focused strategy. Mini-conglomerate J.P. Industries, Inc., for example, is in camshafts and kitchen sinks. Where's the common thread? Founder John Psarouthakis buys poorly run manufacturers cheap. His specialty? A genius for cutting costs, for turning marginal operations into highly profitable ones.

- Where's the cash? Some fast-growing companies, particularly high-tech ones, are reverse cash machines. They report fantastic profits, but they burn up all the profits expanding, financing inventory and keeping up in R&D. You can go broke that way; you are tremendously vulnerable to even minor setbacks: Microsemi, number 85 on the list, reported a 41% increase in earnings for its latest nine months. But those profits aren't generating nearly enough cash to fund the company's growth. As a result, Microsemi sells shares, converts debentures and takes on debt (now 29% of capitalization). Yes, earnings are growing. But they are constantly being diluted.

Contrast Cordura, whose growth is less than torrid but whose profits are very real. It is sitting on a \$41 million cushion of cash and securities, not bad for a company with \$50 million in sales.

- Is the industry headed for burnout? Fortunes have been lost on disk-drive firms that were hot in 1983. Current industry burnout candidates: generic drugs and specialty retailing. Mylan Laboratories' success in generics attracted a rush of imitators. Likewise, The Limited's success in specialty retailing drew a crowd.

Having said all that, we cite another caveat. If you spot a real gem, don't be surprised if other investors have noticed what you're discovering. Cordura, Juno and Sizzler all sell for between 13 times and 16 times earnings, while IBM, a cash-generating, nonfad, 26%-return-on-equity growth company, goes for 12 times earnings.

The 200 companies that made our list are aristocrats of small business, but they are not sure things. There is more to growth companies than mere growth, and entrepreneurs and their backers forget that at their peril. ■

The winnowing

Of the more than 4,000 firms with sales between \$1 million and \$300 million, 200 passed this year's screens to make the FORBES Best List. Candidates had to meet criteria for high return on equity, consistency of earnings growth, and balance sheet strength. The rules are somewhat more stringent this year than in 1984, when 300 passed the grade. Why the added stringency? Because we wanted to eliminate a weakness of many such lists: an uncritical dependence on growth alone.

Our minimum for return on equity—profits compared with net worth—was an average of 11.2% over the past five years. That is down from the 14.3% in last year's survey, but the definition of return on equity is tougher. Firms also had to show at least a 10% ROE for the latest 12 months.

Next is earnings growth and consistency. We required an average annual gain in earnings per share of 9% or better over the past five years, and a 5% gain for the most recent 12-month period over the year-earlier period. Any company that showed a drop of more than 75% in earnings from one year to the following year was taken out of contention; we wanted no volatile companies on the list. Five-year sales growth also had

to average 8% or better.

Finally, leverage: We culled out companies in which debt as a percentage of equity exceeded 100%. Why? Because highly leveraged companies may be achieving growth at the expense of ultimate solvency. They may be fast-growing, but they aren't "best," as we define it.

We also dropped firms with less than five years of earnings history in the database, earnings less than \$1 million during the last 12 months or share prices less than \$2. Foreign firms, banks and real estate investment trusts were discarded. The last column of figures may be unfamiliar to some investors: price/sales ratios. This concept, worked out by FORBES columnist Kenneth L. Fisher, is the ratio of company market capitalization to company sales. It tells you, in brief, how many dollars in sales stand behind every dollar in market value. Thus a price/sales ratio of 2 on a \$15 stock indicates that there is \$7.50 in sales behind every share of common stock outstanding.

Our statistical source for this survey was the best in the business, the database of Los Angeles-based William O'Neil & Co., publisher of stock charts and *Investor's Daily*.—S.K.



The 200 Best Small Companies in America

Company/business	Return on equity 5-year average	latest 12 months	5-year EPS growth rate	Latest 12-months sales (mils)	Latest 12-months profits (mils)	Long- term debt/ equity	Current ratio	Book value/ share	Recent price	Latest 12-months EPS	12-months P/E	Price/ sales
Franklin Resources <i>fund management</i>	72.3%	109.8%	94%	\$58.6	\$11.2	4%	NA	\$1.46	33¼	\$1.62	20.5	3.97
• Quick & Reilly Group <i>securities brokerage</i>	62.6	22.4	40	66.6	10.2	6	NA	7.23	20½	1.61	12.7	1.94
• BGS Systems <i>software and computer services</i>	51.1	10.8	54	11.5	1.6	0	5.30	4.70	8¼	0.51	16.2	2.25
• Alfin Fragrances <i>markets imported perfumes</i>	43.0	36.3	152	21.3	4.3	10	4.56	3.60	21	1.27	16.5	3.23
• Intertrans <i>freight forwarding</i>	42.4	25.5	108	50.9	1.3	0	2.42	1.93	10%	0.47	23.1	0.56
• Telerate Systems <i>security price database</i>	41.7	26.7	60	143.3	32.8	0	3.90	2.78	15½	0.75	20.7	4.78
Pioneer Group <i>fund management</i>	40.4	35.4	28	29.4	7.6	0	NA	3.51	21¼	1.25	17.4	4.54
Dreyfus <i>fund management</i>	39.2	37.4	35	158.7	45.8	61	1.78	9.81	66	4.34	15.2	5.19
• American List <i>student mailing lists</i>	38.0	35.6	21	3.8	1.1	0	10.57	1.70	9¼	0.61	15.2	4.50
Plenum Publishing <i>scientific books, journals</i>	37.8	43.6	25	37.4	8.7	1	4.71	8.71	45½	3.69	12.3	2.80
• Rent-A-Center <i>home furnishings rental</i>	37.8	34.7	38	89.6	7.3	13	0.48	2.93	20	1.00	20.0	1.59
• CCX Networks <i>computer services</i>	34.7	18.3	44	13.7	1.3	58	1.90	3.33	16½	0.63	26.2	2.51
• CPI Corp <i>photo supplies, photofinishing</i>	34.2	30.5	42	195.1	13.6	2	0.69	5.88	19%	1.77	11.1	0.76
• Juno Lighting <i>lighting fixtures</i>	33.5	43.4	37	36.0	5.8	47	1.57	2.94	18%	1.28	14.8	2.39
AFA Protective Systems <i>protective alarm services</i>	33.1	26.5	40	17.1	1.3	0	2.09	17.46	39	4.29	9.1	0.65
Mylan Laboratories <i>generic drugs</i>	32.3	46.0	56	59.1	13.4	8	5.94	1.21	15¼	0.56	28.1	6.40
• Cordura <i>auto repair database</i>	32.0	23.2	22	49.5	9.1	0	1.63	7.05	24½	1.57	15.6	2.75
• Cherokee Group <i>women's footwear and apparel</i>	31.8	22.4	28	83.4	3.4	14	1.69	5.39	16¼	1.21	13.4	0.56
Neutrogena <i>cosmetics</i>	31.5	46.5	26	69.0	5.7	0	1.56	2.03	32½	0.90	36.1	2.84
• Arthur J Gallagher & Co <i>insurance brokerage</i>	31.3	30.3	24	71.4	7.9	77	1.33	6.12	34½	1.79	19.3	2.06
• Andover Controls <i>building automation systems</i>	30.7	21.1	69	17.3	1.8	0	4.46	2.41	5¼	0.50	11.5	1.17
• Regis <i>hairstyling, hair care salons</i>	30.1	35.5	40	135.2	7.3	15	1.18	2.21	14	0.79	17.7	0.97
• Deb Shops <i>apparel retailing</i>	29.7	30.0	48	134.2	8.9	7	2.48	3.96	17½	1.19	14.7	0.98
Dreyer's Grand Ice Cream <i>ice cream</i>	29.0	23.9	40	92.2	7.5	8	1.47	4.23	17¼	0.98	18.1	1.42
• Comarco <i>defense eng'g, computer sys</i>	28.7	34.5	22	31.9	1.8	4	1.63	2.87	15½	0.94	16.5	0.87
• PAR Technology <i>computer equipment and services</i>	28.2	23.6	67	62.9	7.6	0	2.97	4.19	18	0.99	18.2	2.19
HBO & Co <i>hospital computer services</i>	27.8	40.0	43	137.1	19.2	7	3.38	2.01	20%	0.96	21.0	3.51
• Nuclear Support Services <i>service to nuclear electric utilities</i>	27.7	30.1	30	25.9	1.8	0	0.78	5.41	17¼	1.62	10.6	0.72
• E-Z-EM <i>disposable X-ray supplies</i>	26.9	24.6	46	38.9	5.5	0	7.07	4.27	13	1.05	12.4	1.76

• New addition to 1985 Best Small Companies in America table NA: Not applicable, not available

Sources: William O'Neil & Co., *Forbes*

Company/business	Return on equity 5-year average	latest 12 months	5-year EPS growth rate	Latest 12-months sales (mils)	Latest 12-months profits (mils)	Long- term debt/ equity	Current ratio	Book value/ share	Recent price	Latest 12-months EPS	P/E	Price/ sales
Napco Security Systems <i>protective alarm services</i>	26.7%	45.9%	37%	\$18.8	\$2.4	0%	4.01	\$1.21	9%	\$0.55	17.5	2.22
Shared Medical Systems <i>hospital computer services</i>	26.7	29.8	25	283.8	37.5	7	2.00	5.03	32%	1.51	21.6	2.87
• Silicon Valley Group <i>equip for semiconductor industry</i>	26.2	22.4	45	38.9	6.4	0	8.27	6.57	14%	1.46	10.1	1.64
Technalysis <i>computer services</i>	26.0	26.8	25	11.8	1.1	0	3.75	2.58	10%	0.68	15.1	1.39
Dranetz Technologies <i>precision instruments</i>	25.6	25.7	22	26.6	4.6	0	8.51	3.76	10%	0.97	11.1	1.90
• Robert C Brown & Co <i>financial services</i>	25.5	18.0	55	14.2	2.1	0	NA	4.19	10½	0.75	14.0	2.03
Hathaway <i>precision instr, computer periph</i>	25.4	45.8	58	36.4	4.0	8	2.44	2.48	7%	1.11	7.0	0.76
Auxton Computer Enterprises <i>computer services</i>	25.1	22.6	34	26.2	1.5	1	1.50	1.34	4%	0.31	15.7	0.94



**Highest market capitalization:
Marion Laboratories, \$1.3 bil-
lion. Lowest: AFA Protective
Systems, \$11.2 million.**

• ACCO World <i>computer supplies and furniture</i>	24.8	25.5	14	200.0	19.1	54	2.81	5.45	21	1.34	15.7	1.45
Southwestern Energy <i>gas utility</i>	24.8	28.6	17	102.9	23.1	67	1.45	9.72	24%	2.51	9.9	2.00
• Syms <i>apparel retailing</i>	24.8	25.8	27	215.3	13.8	12	3.22	3.03	11%	0.78	15.2	0.97
• American Integrity <i>insurance</i>	24.7	34.1	92	24.4	5.7	1	NA	2.55	16%	0.98	16.6	4.38
• Dress Barn <i>apparel retailing in eastern US</i>	24.7	47.2	59	103.0	5.3	1	1.78	2.55	24	1.00	24.0	1.03
General Physics <i>training services for utilities</i>	24.5	20.1	21	52.4	3.4	0	1.83	4.63	13	0.90	14.4	0.90
Safeguard Business Systems <i>accounting & record keeping sys</i>	24.1	22.3	12	205.2	13.5	42	2.23	4.93	17%	1.11	15.7	1.04
Medex <i>life support products</i>	23.9	15.6	16	15.3	1.7	30	9.04	2.89	9½	0.45	20.6	2.25
• COMB Co <i>close-out merchandise</i>	23.7	11.1	55	83.8	2.5	7	1.93	4.00	11½	1.01	11.1	0.74
Matrix Science <i>electrical equipment</i>	23.6	24.0	14	67.1	8.1	0	5.87	8.51	29	2.04	14.2	1.70
Safety-Kleen <i>auto parts cleaning services</i>	23.0	29.8	24	209.4	25.8	8	2.51	6.22	33	1.79	18.4	2.19
• JP Industries <i>auto parts, plumbing products</i>	22.9	29.1	84	108.2	5.5	45	1.98	4.47	20½	1.60	12.8	0.80
• Knoll International C I A <i>office furniture</i>	22.9	18.9	18	180.1	11.1	77	2.17	5.38	14%	1.01	14.7	0.91
Pall Corp <i>filters and fluid clarification</i>	22.8	23.8	12	275.9	34.3	16	1.59	7.95	38½	1.90	20.1	2.52

•New addition to 1985 Best Small Companies in America table NA Not applicable, not available

Sources: William O'Neil & Co., Forbes

The 200 Best Small Companies in America

Company/business	Return on equity 5-year average	latest 12 months	5-year EPS growth rate	Latest 12-months sales (mils)	Latest 12-months profits (mils)	Long- term debt/ equity	Current ratio	Book value/ share	Recent price	Latest 12-months EPS	12-months P/E	Price/ sales
Computer Horizons <i>computer services</i>	22.6%	24.2%	97%	\$48.7	\$2.4	0%	2.24	\$3.96	11½	\$0.92	12.1	0.56
Larsen <i>canned & frozen vegetables</i>	22.6	24.4	49	169.4	9.4	37	2.26	6.06	18	1.49	12.1	0.67
• Diagnostic Products <i>medical test kits</i>	22.5	20.7	28	19.9	3.4	0	6.35	3.09	13	0.64	20.3	3.51
SafeCard Services <i>credit card loss services</i>	22.5	38.1	21	61.1	12.8	0	1.54	2.36	17½	0.89	19.7	4.09
Dynatech <i>precision instruments</i>	22.3	25.1	26	219.4	17.5	38	2.82	7.11	27½	2.08	13.2	1.23
John H Harland <i>check printing</i>	22.3	24.7	21	234.7	27.7	0	3.21	6.55	30	1.63	11.4	2.18
• Jefferies Group <i>securities brokerage</i>	22.3	23.0	29	139.1	14.6	0	NA	7.97	15	1.83	8.2	0.86
O'Sullivan <i>plastic & rubber auto parts</i>	22.2	32.9	31	137.4	11.4	0	3.32	4.56	23¾	1.50	15.5	1.28



More than one-third of our 200 companies provide technical goods or services.

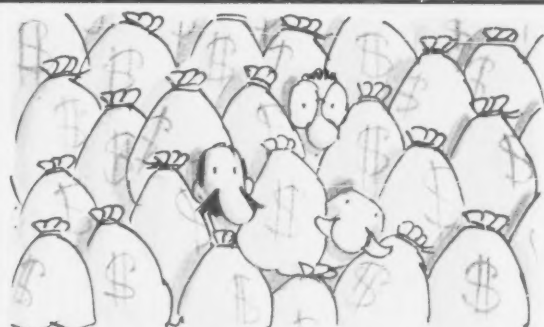
• Altos Computer Systems <i>mini and micro computers</i>	22.0	11.4	45	124.4	10.4	1	5.75	6.20	10	0.70	14.3	1.18
Bolar Pharmaceutical <i>generic drugs</i>	22.0	18.1	24	35.3	6.4	0	7.37	3.69	13	0.71	18.3	3.54
FlightSafety Intl <i>air and marine training</i>	21.9	21.4	17	106.5	28.9	22	2.38	6.07	22½	1.31	17.1	4.68
• American Software CI A <i>software</i>	21.7	17.8	79	31.8	5.6	0	3.60	4.90	10	0.87	11.5	2.01
Postal Instant Press <i>printing</i>	21.6	21.9	16	19.4	4.4	2	3.63	4.92	13¾	1.08	12.9	2.94
• Safeguard Health Enterprises <i>dental health maintenance org</i>	21.3	20.8	85	41.5	3.0	0	7.81	2.84	16½	0.61	27.0	2.02
• Central Reserve Life <i>insurance</i>	21.2	40.9	164	64.8	4.2	0	NA	2.89	9½	1.08	8.8	0.53
• United Industrial Corp <i>defense elec, and machinery</i>	21.0	32.7	28	260.5	28.4	2	1.35	7.94	20%	2.58	8.1	0.88
• Advertising Unlimited <i>printing and promotional mate</i>	20.6	23.2	25	19.6	1.4	87	2.47	12.34	34	2.68	12.7	0.83
• Integrated Software Systems <i>software for computer graphics</i>	20.5	15.9	53	37.1	4.5	0	2.91	5.20	11¼	0.85	13.8	1.74
Luby's Cafeterias <i>restaurants in southwest US</i>	20.5	22.7	18	193.1	18.8	6	1.68	6.81	34¼	1.55	22.1	2.15
• Graphic Inds <i>printing</i>	20.3	23.3	20	106.7	4.2	99	1.72	2.88	12½	0.67	18.7	0.73
Eaton Vance <i>fund management</i>	20.2	26.2	46	18.5	4.5	38	1.70	9.15	31	2.39	13.0	3.12
• First Financial Management <i>bank computer services</i>	20.2	19.2	34	43.2	3.0	38	2.01	3.54	18	0.68	26.5	1.84
• Ally & Gargano <i>advertising</i>	20.1	20.0	32	26.8	2.3	0	1.26	5.20	10	1.04	9.6	0.83

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The 200 Best Small Companies in America

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• Welbilt <i>appliances</i>	20.1%	33.2%	40%	\$146.8	\$10.7	51%	2.64	\$7.26	12½	\$2.35	5.3	0.38
Pansophic Systems <i>software</i>	19.9	17.3	40	71.2	12.7	1	8.24	8.67	19½	1.50	13.0	2.31
• Ryan's Family Steak Houses <i>restaurants in southern US</i>	19.8	20.6	47	41.2	4.2	4	1.49	2.90	15¼	0.60	26.3	2.66
Community Psychiatric Ctrs <i>psychiatric hospitals, dialysis ctrs</i>	19.7	23.3	33	212.2	43.5	11	3.91	6.18	25½	1.46	17.5	3.63
• Federated Guaranty <i>insurance</i>	19.7	16.5	14	39.9	9.1	0	NA	6.56	10¼	1.19	9.0	2.27
• WA Krueger <i>printing</i>	19.7	24.3	19	282.7	16.4	36	2.43	4.50	13¼	1.09	12.0	0.69
Trion <i>electronic air cleaners</i>	19.7	16.9	16	23.5	1.7	50	3.39	3.11	7	0.53	13.2	0.96
• Aaron Rents <i>rents and sells furniture</i>	19.6	18.6	22	97.3	6.2	78	3.92	6.22	18¼	1.16	16.2	1.03



**Highest profit margin on our list: American List, 29.5%.
Lowest: Mars Stores, 1.6%.**

• Cintas <i>manufacture, sale, rent uniforms</i>	19.6	16.9	23	107.8	9.2	28	2.27	8.37	37½	1.42	26.4	2.27
BDM International CI A <i>defense-related consulting</i>	19.5	23.1	22	216.8	9.0	0	1.56	4.00	21¼	0.91	23.5	0.96
• Microsemi <i>semiconductors</i>	19.5	30.8	51	33.9	3.6	15	3.05	1.48	6	0.46	13.0	1.38
Newport Corp <i>industrial, lab optical equip</i>	19.5	15.7	26	37.6	8.0	0	12.88	5.39	21½	0.84	25.6	5.36
• AFG Industries <i>building materials</i>	19.4	20.3	31	298.1	19.1	76	2.36	9.31	18¼	1.90	9.6	0.62
• Raymond Engineering <i>weapons components</i>	19.4	22.7	35	49.5	3.5	21	3.09	8.68	17¼	1.95	9.1	0.63
Arnold Industries <i>trucking</i>	19.3	24.3	18	81.3	7.3	14	1.24	18.08	37¼	4.17	8.9	0.77
Lee Enterprises <i>newspapers</i>	19.3	22.4	15	202.6	29.3	14	1.95	10.11	40¼	2.15	18.8	2.58
Aeroflex Labs <i>military, aerospace systems</i>	19.1	19.3	23	49.6	4.8	25	3.50	6.04	13	1.15	11.3	1.07
National Education <i>vocational training schools</i>	19.1	19.3	12	180.8	10.3	14	1.38	5.61	19	1.03	18.4	1.00
• Insituform East <i>repair of underground pipes</i>	19.0	26.4	12	9.7	1.2	0	2.22	1.16	7¾	0.29	26.1	3.11
• Flow Systems <i>water jet cutting equip</i>	18.9	16.6	47	19.9	2.5	2	4.54	1.68	12¼	0.29	42.2	5.44
• Countrywide Credit Inds <i>mortgage servicing</i>	18.7	16.3	11	35.0	4.4	0	NA	3.53	8¼	0.59	14.0	1.82
• Grey Advertising <i>advertising</i>	18.7	20.1	10	215.7	10.6	6	1.15	88.56	185	16.36	11.3	0.51

• New addition to 1985 Best Small Companies in America table. NA Not applicable, not available.

Sources: William O'Neil & Co., FORBES

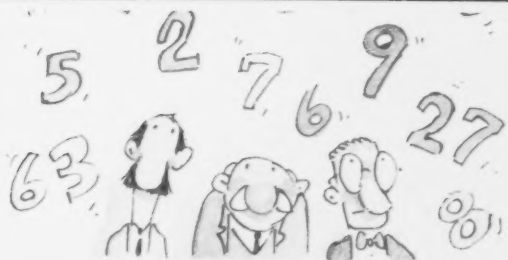
Company/business	Return on equity 5-year average	latest 12 months	5-year EPS growth rate	Latest sales (mils)	12-months profits (mils)	Long- term debt/ equity	Current ratio	Book value/ share	Recent price	Latest EPS	12-months P/E	Price/ sales
Sippican <i>oceanographic instrumentation</i>	18.7%	21.9%	38%	\$34.1	\$4.8	8%	3.12	\$5.43	11½	\$1.18	9.7	1.35
• ARGOSystems <i>radar reconnaissance systems</i>	18.6	21.0	41	65.2	7.0	0	2.22	4.87	19	1.04	18.3	1.98
• Powertec <i>power supplies</i>	18.5	20.9	50	22.8	2.6	0	5.12	4.57	10½	0.94	11.2	1.24
Sigma-Aldrich <i>specialty chemicals</i>	18.5	20.6	16	197.6	26.8	10	5.63	15.88	65	3.09	21.0	2.69
Versa Technologies <i>rubber products</i>	18.5	20.5	23	36.3	3.4	10	3.45	6.85	18½	1.41	13.1	1.21
• Legg Mason <i>securities brokerage</i>	18.4	12.8	10	82.4	4.3	14	NA	7.39	15¾	0.89	17.8	0.88
• Stanford Telecommunications <i>telecommunications equipment</i>	18.4	12.8	34	34.0	2.2	2	2.44	5.11	13½	0.61	22.1	1.31
Comdata Network <i>electronic funds transfer</i>	18.1	14.0	31	87.7	13.1	1	2.81	4.53	11¾	0.65	17.1	2.61
Cullinet Software Development <i>software development</i>	18.0	19.0	43	186.1	23.4	0	2.03	4.11	16½	0.77	21.4	2.66
• Earl Scheib <i>auto paint shops</i>	18.0	19.9	55	60.0	5.1	3	2.57	10.46	26¾	2.09	12.5	1.07
Stryker <i>surgical and medical products</i>	18.0	19.5	21	91.4	7.7	9	3.50	4.14	20¾	1.02	19.9	2.12
Atlantic Research <i>rocket motors, comm equip</i>	17.9	23.2	33	189.9	12.2	17	2.86	8.21	27¼	1.91	14.3	0.92
• Payco American <i>collection agency</i>	17.9	20.0	39	59.1	2.0	0	1.14	1.98	13¾	0.39	35.3	1.17
JM Smucker <i>jams and jellies</i>	17.8	18.6	20	241.9	16.4	7	2.76	23.74	74¾	4.42	16.9	1.15
Adams-Russell <i>comm electronics, CATV</i>	17.7	17.5	20	124.5	9.3	79	1.97	8.60	26	1.50	17.3	1.29
Teleflex <i>mechanical remote controls</i>	17.7	16.4	18	164.8	11.9	19	3.84	13.88	35¾	2.26	15.5	1.11
• Great Lakes Chemical <i>specialty chemicals</i>	17.6	20.9	14	281.7	36.1	20	2.36	11.56	36¼	2.42	15.0	1.92
Hunt Manufacturing <i>office and art supplies</i>	17.6	18.9	14	104.0	8.1	13	3.64	9.07	28½	1.72	16.6	1.29
• Lawson Products <i>fasteners, industrial supplies</i>	17.6	21.5	11	125.1	13.5	0	4.66	8.96	28½	1.87	15.2	1.60
DBA Systems <i>computer imaging technology</i>	17.5	15.4	27	66.0	3.5	40	3.00	6.16	14¾	0.94	15.7	0.82
Logicon <i>software design</i>	17.5	21.3	28	172.9	8.8	0	2.81	8.99	33½	1.90	17.6	0.89
Mentor <i>surgical implant devices</i>	17.4	23.5	70	27.4	2.9	63	2.06	2.21	14	0.56	25.0	2.85
• STV Engineers <i>engineering & consulting services</i>	17.3	33.6	30	61.5	1.4	88	1.24	2.89	11¼	0.97	11.6	0.27
• Dionex <i>precision instruments</i>	17.2	16.8	31	35.1	6.3	1	5.11	8.35	30	1.37	21.9	3.84
• LIN Broadcasting <i>broadcasting</i>	17.2	19.4	16	161.8	33.4	58	2.38	6.54	32¼	1.46	22.0	5.24
• Tenney Engineering <i>precision instruments</i>	17.2	20.1	16	22.6	1.4	71	3.03	1.99	4¾	0.39	10.6	0.64
ASK Computer Systems <i>computer services</i>	17.1	12.1	39	79.3	8.0	1	4.46	5.15	11¼	0.65	17.3	0.80
National Computer Systems <i>optical scanning equipment</i>	17.1	24.6	26	169.4	12.1	34	2.31	4.34	18¾	1.12	16.4	1.23
United Medical <i>health care services and products</i>	17.1	18.2	24	42.6	2.4	34	2.32	4.20	14¾	1.00	14.6	1.09

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• Bob Evans Farms <i>sausages, restaurants</i>	16.9%	16.6%	10%	\$235.6	\$18.7	0%	1.97	\$6.28	19¾	\$1.12	17.6	1.50
Wallace Computer Services <i>business forms</i>	16.9	19.2	11	274.5	22.1	6	3.66	11.41	34¼	2.20	15.5	1.25
• Laidlaw Industries <i>solid waste services</i>	16.8	22.5	32	145.9	17.2	42	1.60	4.42	14¼	0.90	16.4	1.74
• New York Marine & Genl Ins <i>insurance</i>	16.8	20.9	23	37.6	4.8	0	NA	8.15	29	2.13	13.6	2.18
• Andersen Group <i>electronics</i>	16.7	14.8	12	48.3	2.3	85	3.43	8.82	9¾	1.31	7.4	0.36
Camco <i>oilfield equipment</i>	16.7	13.3	9	174.2	12.3	13	2.77	12.66	14¾	1.68	8.9	0.62
Black Hills Power & Light <i>electric utility, coal mining</i>	16.6	19.7	24	111.0	18.3	80	2.02	20.79	33¼	3.94	8.4	1.34
• Forum Group <i>nursing homes, retirement ctrs</i>	16.6	32.5	35	170.8	34.4	89	3.56	4.63	8¼	1.35	6.1	1.10



California has 37 of the Best Small Companies, more than any other state. New York has 33.

• Wisconsin Southern Gas <i>gas utility</i>	16.6	18.7	39	41.8	1.4	86	1.19	10.10	18½	1.84	10.1	0.33
Cerberonics CI A <i>technical services</i>	16.5	13.3	41	36.0	1.5	0	3.56	7.58	8¾	1.00	8.8	0.36
Computer Assocs International <i>software</i>	16.5	12.8	60	138.2	13.5	8	3.00	9.71	24	1.25	19.2	1.88
Computer Products <i>electronics and electrical equip</i>	16.5	17.6	22	91.2	8.8	37	3.58	2.65	6¾	0.47	14.6	1.42
• Systematics <i>bank computer services</i>	16.5	19.0	33	102.1	9.6	4	3.34	4.71	22¼	0.88	25.9	2.40
• Scan-Tron <i>optical reading equip, supplies</i>	16.4	16.1	22	19.9	2.2	3	5.74	5.11	15¼	0.82	18.6	2.05
Educational Computer <i>simulation training equip</i>	16.3	17.9	47	23.8	2.8	21	6.96	3.57	9¾	0.63	14.5	1.70
Genovese Drug Stores <i>drugstores in northeastern US</i>	16.3	19.1	46	227.5	4.4	36	1.72	5.74	10¾	1.10	9.3	0.18
TSR <i>computer services</i>	16.3	29.6	25	18.3	2.0	4	2.83	3.01	10¾	0.83	12.2	1.26
UTL <i>electronics</i>	16.3	16.6	47	26.1	4.9	2	5.63	6.11	14	1.00	14.0	2.57
Chilton <i>credit reporting, collection svc</i>	16.1	20.0	51	91.8	8.2	7	1.38	5.76	29	1.10	26.4	2.24
Security Amer Finl Enterprises <i>insurance</i>	16.1	25.9	35	33.7	3.1	0	NA	8.41	14¼	2.09	6.8	0.61
• Shelby Williams Inds <i>furniture for restaurants & hotels</i>	16.1	18.3	19	107.8	7.1	0	3.37	5.04	16¾	0.93	18.2	1.21
• WH Brady CI A <i>adhesives and coatings</i>	15.9	23.0	22	102.1	10.8	12	3.23	12.60	34¼	2.87	11.9	1.24
• Watkins-Johnson <i>electronics</i>	15.8	18.8	34	223.1	21.7	23	3.18	11.86	22¾	2.23	10.2	0.99

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	5-year average	latest 12 months		sales (mils)	profits (mils)					EPS	P/E	
Intermec <i>bar-code printers and readers</i>	15.7%	12.8%	27%	\$43.1	\$3.9	0%	4.66	\$5.71	11½	\$0.77	14.8	1.42
Block Drug CI A <i>dental products</i>	15.6	15.7	12	265.5	26.8	15	2.42	22.47	39	3.57	10.9	1.11
• Merrimac Industries <i>microwave components</i>	15.5	18.2	31	14.3	1.7	4	4.82	5.76	13¼	1.04	13.2	1.51
Spectrum Control <i>electronic pollution controls</i>	15.4	16.4	13	23.1	2.3	61	2.02	2.65	6	0.44	13.6	1.39
Gerber Scientific <i>CAD/CAM equipment</i>	15.3	19.3	34	217.7	23.6	26	2.74	7.16	17¼	1.36	13.1	1.39
Methode Electronics CI B <i>electronics, connectors</i>	15.3	18.8	31	85.6	5.3	20	2.66	2.65	7¼	0.56	12.9	0.90
Electromagnetic Sciences <i>microwave components, subsys</i>	15.0	19.2	48	29.7	3.8	13	4.11	4.29	15¼	0.80	19.7	2.45
• Atlantic American <i>insurance</i>	14.9	17.6	15	108.1	7.3	41	NA	10.90	22¼	1.92	11.6	0.78



Average P/E ratio for the 200 Best Small Companies: 15.9. For the broad-based Wilshire index: 12.5.

• Avemco <i>insurance</i>	14.7	16.3	11	52.3	6.9	19	NA	14.05	30¼	2.28	13.3	1.75
• Marion Laboratories <i>ethical drugs</i>	14.7	27.7	37	295.7	36.2	1	2.36	3.56	34¾	0.94	36.6	4.27
• Mars Stores <i>discount, variety stores, New Eng</i>	14.6	20.6	38	88.8	1.4	86	1.80	3.22	12	0.84	14.3	0.29
• Olsten <i>temporary office personnel</i>	14.6	18.4	15	246.9	6.7	0	2.78	6.70	23¾	1.23	19.2	0.52
• Sizzler Restaurants Intl <i>restaurants</i>	14.6	17.2	35	165.9	10.4	12	1.55	5.93	13½	1.02	13.2	0.83
Avantek <i>microwave, telecomm equip</i>	14.5	14.6	16	182.8	16.9	1	3.80	5.95	19½	0.88	21.7	2.03
• Universal Communication Sys <i>telecomm equip for hotels</i>	14.5	21.5	24	66.4	6.3	85	2.88	4.11	12	0.88	13.6	1.30
• Maine Public Service <i>electric utility</i>	14.4	16.6	18	36.2	7.4	94	0.29	48.08	20¼	6.99	3.0	0.53
• Conner Corp* <i>manufactured housing</i>	14.3	26.4	42	121.9	8.6	25	2.86	11.08	19	2.21	8.6	0.46
• Sanmark-Stardust <i>apparel</i>	14.1	18.7	47	52.0	2.7	27	2.17	2.34	5	0.44	11.4	0.60
• Citizens Utilities CI A <i>elec, tel, gas and water utility</i>	14.0	14.9	15	256.9	46.6	36	1.46	15.52	40¼	2.32	17.3	3.15
• International Technology <i>pollution control services</i>	14.0	12.0	12	154.5	7.3	64	1.95	7.64	23	0.73	31.5	1.18
• John Fluke Manufacturing <i>precision instruments</i>	13.9	19.2	16	218.7	20.1	23	3.44	12.43	23	2.41	9.5	0.88
Optical Radiation <i>precision optical components, sys</i>	13.9	30.1	53	96.5	12.5	4	4.15	5.23	26¼	1.50	17.5	2.15
Forest Laboratories <i>controlled-release drugs</i>	13.8	11.6	11	29.1	4.7	3	4.53	6.83	24½	0.78	31.4	4.99

• New addition to 1985 Best Small Companies in America table. NA: Not applicable, not available.
* Company changed fiscal year. EPS and P/E are for nine months ending June 1985.

Sources: William O'Neil & Co., Fama's

The 200 Best Small Companies in America

Company/business	Return on equity 5-year average	latest 12 months	5-year EPS growth rate	Latest 12-months sales (mils)	12-months profits (mils)	Long- term debt/ equity	Current ratio	Book value/ share	Recent price	Latest 12-months EPS	12-months P/E	Price/ sales
Matrix Corp <i>medical diagnostic imaging sys</i>	13.8%	16.5%	36%	\$86.4	\$11.4	1%	3.60	\$5.33	16	\$0.88	18.2	2.40
• Dresher <i>inass beds and accessories</i>	13.7	28.7	30	31.4	1.9	29	2.39	3.64	10%	0.97	11.0	0.61
Helig-Meyers <i>retailer of home furnishings</i>	13.6	15.2	17	173.1	12.0	50	1.98	12.64	28½	1.92	14.8	1.03
Spectradyne <i>in room hotel communications</i>	13.6	13.7	13	51.9	5.6	17	2.05	6.56	16¼	0.89	18.3	1.93
Comprehensive Care <i>alcoholic and psychiatric hosp</i>	13.4	14.4	25	168.8	17.8	48	4.30	8.16	14%	1.16	12.8	1.34
• Big B <i>drugstores</i>	13.3	15.2	15	162.2	4.6	26	2.28	4.57	14¼	0.71	20.8	0.60
• Park Communications <i>broadcasting</i>	13.3	14.6	19	109.6	14.9	27	2.23	7.37	21½	1.08	19.9	2.71
• Providence Energy <i>gas utility</i>	13.3	17.0	19	158.0	6.4	81	1.32	17.36	20	2.99	6.7	0.28
Network Systems <i>computer peripherals</i>	13.2	18.1	58	86.3	18.7	0	7.40	3.59	24½	0.66	37.1	8.19
Oakwood Homes <i>manufactured housing</i>	13.2	13.4	14	88.0	5.6	3	4.39	11.53	16%	1.57	10.3	0.66
• Ionics <i>ion exchange membranes</i>	13.1	20.2	17	70.5	4.9	30	2.15	6.68	21¼	1.65	12.9	1.10
• Southwest Water <i>water utility</i>	13.1	15.5	16	19.4	2.8	46	1.38	19.93	30½	3.22	9.5	1.45
• Continental Materials <i>natural resources, a/c & bldg equip</i>	12.9	16.5	40	68.9	3.7	31	2.77	16.91	18%	2.79	6.8	0.36
Frequency Electronics <i>military and aerospace elec</i>	12.9	12.9	12	26.4	4.2	12	10.07	10.62	21%	1.37	15.8	2.50
Service Corporation Intl <i>funeral parlors</i>	12.8	14.0	27	241.8	35.8	23	3.06	10.29	24%	1.45	17.0	2.53
• Empire District Electric <i>electric utility</i>	12.7	15.2	20	123.1	16.7	83	2.79	21.12	20%	2.97	6.9	0.87
• Houghton Mifflin <i>educational publishing</i>	12.6	13.7	10	263.1	16.8	8	2.30	17.79	35	2.57	13.6	0.92
• Burr-Brown <i>precision instruments</i>	12.5	12.6	17	93.0	6.1	44	2.06	9.68	16¼	1.19	14.1	0.89
Del Laboratories <i>proprietary drugs, cosmetics</i>	12.2	13.9	39	95.5	3.8	53	1.81	25.68	32¼	3.36	9.7	0.37
• Engraph <i>packaging materials</i>	12.1	14.4	20	97.6	3.0	62	2.41	5.50	14%	0.77	18.7	0.56
• Pasquale Food CI B <i>food processing</i>	12.1	26.5	77	64.2	2.6	16	2.43	2.94	19	0.78	24.4	0.99
• Skippers <i>restaurants</i>	12.1	12.7	23	66.7	2.5	38	0.66	7.23	10%	0.92	11.0	0.42
• Velo Bind <i>bookbinding equip</i>	12.1	16.4	14	28.6	2.7	5	4.10	3.37	9½	0.57	16.7	1.64
• KLA Instruments <i>equip for semiconductor ind</i>	12.0	16.8	63	62.9	8.8	0	3.44	3.11	18¼	0.50	36.5	4.89
• Decision Data Computer <i>computer peripheral equipment</i>	11.9	17.1	103	172.3	8.8	2	2.25	5.58	11%	1.02	11.4	0.62
• Lamar Life <i>insurance</i>	11.9	26.5	17	84.8	20.7	NA	NA	41.88	42½	11.24	3.8	0.94
• Computer Factory <i>retail computer stores</i>	11.8	12.5	21	49.9	1.1	0	2.38	3.99	6%	0.50	12.8	0.28
• Great Lakes International <i>maritime construction</i>	11.2	15.6	11	162.1	13.6	34	2.64	30.67	52½	4.69	11.3	0.92
• Waverly Press <i>scientific and med books</i>	11.2	13.9	12	62.2	3.5	0	1.73	10.51	19½	1.46	13.4	0.76

• New addition to 1985 Best Small Companies in America table. NA: Not applicable, not available

Sources: William O'Neil & Co., Forbes

Company Directory

This alphabetical listing shows rankings of the 200 Best Small Companies in sales, profits, market value and five-year average return on equity. Also included: stock symbol, corporate headquarters and market value.



Where they rank				5-year average ROE	Ticker	Company	City, State	Telephone	Market value (millions)
sales	profits	market value							
82	109	104	82	ARON	Aaron Rents	Atlanta, GA	(404) 231-0011	\$100.5	
29	27	28	38	ACO	ACCO World	Northbrook, IL	(312) 480-9700	289.5	
64	72	66	111	AAR	Adams-Russell	Waltham, MA	(617) 894-8540	160.2	
185	193	195	68	AUNL	Advertising Unlimited	Sleepy Eye, MN	(507) 794-7975	16.3	
131	125	146	91	ARX	Aeroflex Labs	Plainview, NY	(516) 694-6700	53.2	
192	194	200	15	AFAP	AFA Protective Systems	New York, NY	(212) 279-5000	11.2	
1	28	57	87	AFGN	AFG Industries	Kingsport, TN	(615) 229-7200	184.0	
181	136	126	4	ALFN	Alfin Fragrances	New York, NY	(212) 333-7700	68.7	
169	172	184	74	AGAI	Ally & Gargano	New York, NY	(212) 688-5300	22.2	
65	67	71	60	ALTO	Altos Computer Systems	San Jose, CA	(408) 946-6700	146.9	
175	112	101	41	AIIC	American Integrity	Philadelphia, PA	(215) 561-1400	106.9	
200	198	192	9	ALST	American List	Great Neck, NY	(516) 466-0602	17.1	
162	115	133	63	AMSWA	American Software Cl A	Atlanta, GA	(404) 261-4381	63.8	
135	171	191	130	ANDR	Andersen Group	Bloomfield, CT	(203) 242-0761	17.4	
191	180	187	21	ANDO	Andover Controls	Andover, MA	(617) 470-0555	20.3	
113	101	88	98	ARGI	ARGOSystems	Sunnyvale, CA	(408) 737-2000	129.1	
101	96	136	89	AIND	Arnold Industries	Lebanon, PA	(717) 274-2521	62.2	
102	87	74	123	ASKI	ASK Computer Systems	Los Altos, CA	(415) 969-4442	143.1	
71	97	112	156	AAME	Atlantic American	Atlanta, GA	(404) 266-5500	84.8	
33	55	63	108	ATRC	Atlantic Research	Alexandria, VA	(703) 642-4000	174.1	
172	187	181	37	AUXT	Auxton Computer Enterprises	Maitland, FL	(305) 660-8400	24.5	
35	36	21	162	AVAK	Avantek	Santa Clara, CA	(408) 727-0700	371.4	
126	102	107	157	AVE	Avemco	Frederick, MD	(301) 694-5700	91.4	

Sources: William O'Neil & Co., Inc.

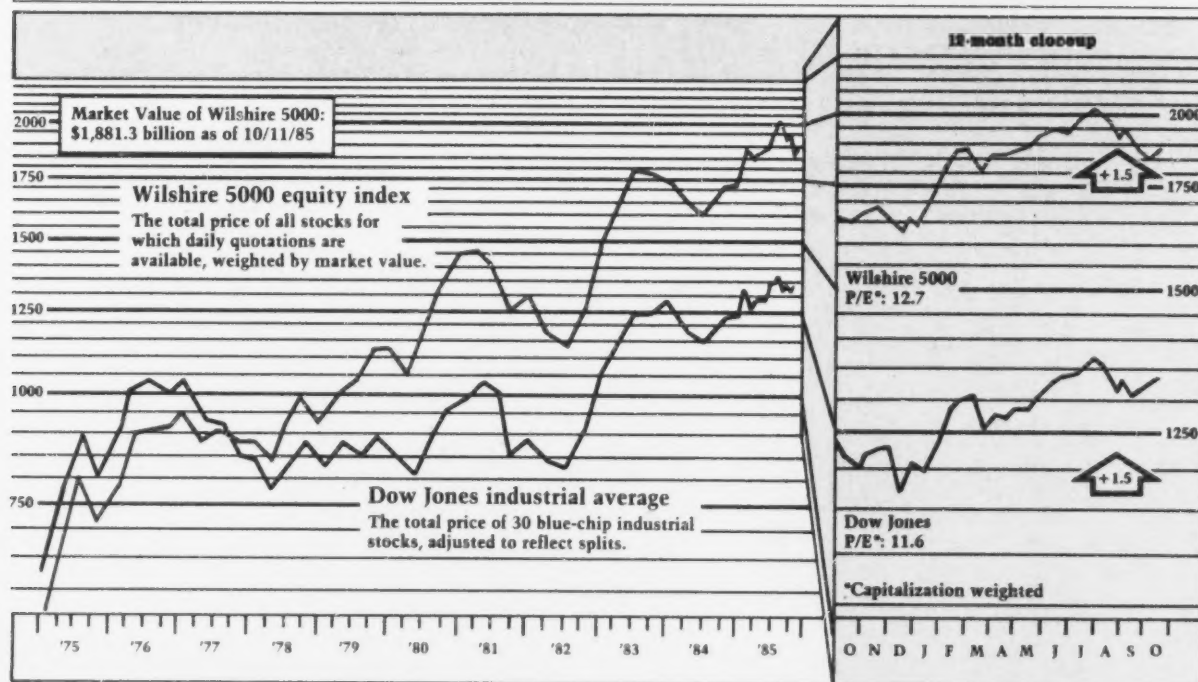
Company Directory

Where they rank				Ticker	Company	City, State	Telephone	Market value (millions)
sales	profits	market value	5-year average ROE					
22	76	44	84	BDM	BDM International CI A	McLean, VA	(703) 821-5000	\$208.8
198	186	179	3	BGSS	BGS Systems	Waltham, MA	(617) 891-0000	25.9
48	128	106	177	BIGB	Big B	Birmingham, AL	(205) 785-0335	97.4
68	32	70	132	BHP	Black Hills Power & Light	Rapid City, SD	(605) 348-1700	148.5
8	17	27	150	BLOCA	Block Drug CI A	Jersey City, NJ	(201) 434-3000	295.2
15	31	22	126	BOBE	Bob Evans Farms	Columbus, OH	(614) 491-2225	353.4
154	105	91	61	BLR	Bolar Pharmaceutical	Copague, NY	(516) 842-8383	125.0
79	63	90	147	BRCOA	WH Brady CI A	Milwaukee, WI	(414) 332-8100	127.1
195	176	170	35	RCBI	Robert C Brown & Co	San Francisco, CA	(415) 981-4050	28.8
85	110	114	189	BBRC	Burr-Brown	Tucson, AZ	(602) 746-1111	83.1
38	54	97	131	CAM	Camco	Houston, TX	(713) 747-4000	108.8
196	196	163	12	CCXN	CCX Networks	Conway, AR	(501) 329-6836	34.4
114	137	165	66	CRLC	Central Reserve Life	Berea, OH	(216) 826-4100	34.1
152	188	199	135	CRBRA	Cerberonics CI A	Bailey's Crossroads, VA	(703) 379-4500	12.8
99	150	153	18	CHKE	Cherokee Group	N Hollywood, CA	(213) 875-1002	46.3
87	84	49	144	CHN	Chilton	Dallas, TX	(214) 699-6111	205.2
72	73	35	83	CTAS	Cintas	Cincinnati, OH	(513) 489-4000	244.5
11	1	5	167	CITUA	Citizens Utilities CI A	Stamford, CT	(203) 329-8800	809.2
161	181	174	25	CMRO	Comarco	Anaheim, CA	(714) 535-2464	27.8
98	167	137	46	CMCO	COMB Co	Minneapolis, MN	(612) 559-8000	61.9
93	50	38	104	CASH	Comdata Network	Nashville, TN	(615) 385-0400	229.0
25	3	6	78	CMY	Community Psychiatric Ctrs	San Francisco, CA	(415) 397-6151	769.8
45	33	40	176	CMPH	Comprehensive Care	Newport Beach, CA	(714) 640-8950	225.6
58	48	31	136	CASI	Computer Assocs Intl	Jericho, NY	(516) 333-6700	260.4
130	200	197	198	CFA	Computer Factory	New York, NY	(212) 687-5000	13.8
134	170	177	52	CHRZ	Computer Horizons	New York, NY	(212) 371-9600	27.3
89	81	86	137	CPRD	Computer Products	Pompano Beach, FL	(305) 974-5500	129.5
67	83	142	165	CNR	Conner Corp	Newport, NC	(919) 223-5121	55.6
107	145	180	184	CUO	Continental Materials	Chicago, IL	(312) 661-7200	25.0
132	75	78	17	CDU	Cordura	Los Angeles, CA	(213) 553-4646	136.2
156	132	134	95	CCR	Countrywide Credit Inds	Pasadena, CA	(818) 304-8455	63.8
31	44	69	13	CPIC	CPI Corp	St Louis, MO	(314) 231-1575	148.7
34	20	16	105	CUL	Cullinet Software Dev	Westwood, MA	(617) 329-7700	494.1
112	148	145	116	DBAS	DBA Systems	Melbourne, FL	(305) 727-0660	54.1
62	77	82	23	DEBS	Deb Shops	Philadelphia, PA	(215) 676-6000	131.3
41	78	99	196	DDCC	Decision Data Computer	Horsham, PA	(215) 674-3300	107.4
84	143	162	190	DLI	Del Laboratories	Farmingdale, NY	(516) 293-7070	35.0
182	151	124	54	DPCZ	Diagnostic Products	Los Angeles, CA	(213) 776-0180	69.9
155	108	79	120	DNEX	Dionex	Sunnyvale, CA	(408) 737-0700	134.7
170	129	147	34	DRAN	Dranetz Technologies	Edison, NJ	(201) 287-3680	50.6
163	179	189	173	DRES	Dresher	Bedford Park, IL	(312) 594-8900	19.0
77	119	102	42	DBRN	Dress Barn	Stamford, CT	(203) 327-4242	105.6
86	93	83	24	DRYR	Dreyer's Grand Ice Cream	Oakland, CA	(415) 652-8187	131.0
51	2	3	8	DRY	Dreyfus	New York, NY	(212) 715-6000	824.3

Sources: William O'Neil & Co., Forbes

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Is there life beyond takeovers? Merger activity and speculation helped the Dow industrials outpace other indicators over the last four weeks. In particular, Dow stock General Foods is up 39% because of the \$120-a-share, or \$5.6 billion, merger offer from Philip Morris. Meanwhile, other NYSE issues, such as Revlon and SCM, are up sharply because of takeover activity or rumors of such.

On a four-week basis there appear to be two different markets: Amex issues are off 0.8% and Nasdaq issues

1.9%, while the Dow is up 2.5%. Over this stretch the NYSE was up 0.7% while the Wilshire index rose 0.3%.

During the most recent two-week period the more than 1,300 issues that make up the NYSE were up 1.7%, vs. 1.5% for the Dow. (For a report on Dow earnings prospects, see page 254.) Amex shares gained 0.4% and Nasdaq issues 0.6%. Secondary issues appear to be catching up rather than faltering. If this continues, Wall Street could be on the verge of a textbook rally rather than a collapse.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500 ¹	Dow Jones Industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	0.3	0.9	2.5	0.7	-0.8	-1.9
in last 52 weeks	12.7	14.7	12.5	12.4	5.3	14.5

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility ²		P/E multiple		Dividend yield		Growth profile ³		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over \$40	under \$4
in last 4 weeks	0.4	-1.6	-1.9	0.7	-3.1	0.1	0.5	-1.0	0.1	0.8	0.4	-4.5
in last 52 weeks	15.3	14.9	18.1	25.4	6.3	20.6	20.0	21.3	17.9	22.7	24.2	2.4

¹Based on sales.

²A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.

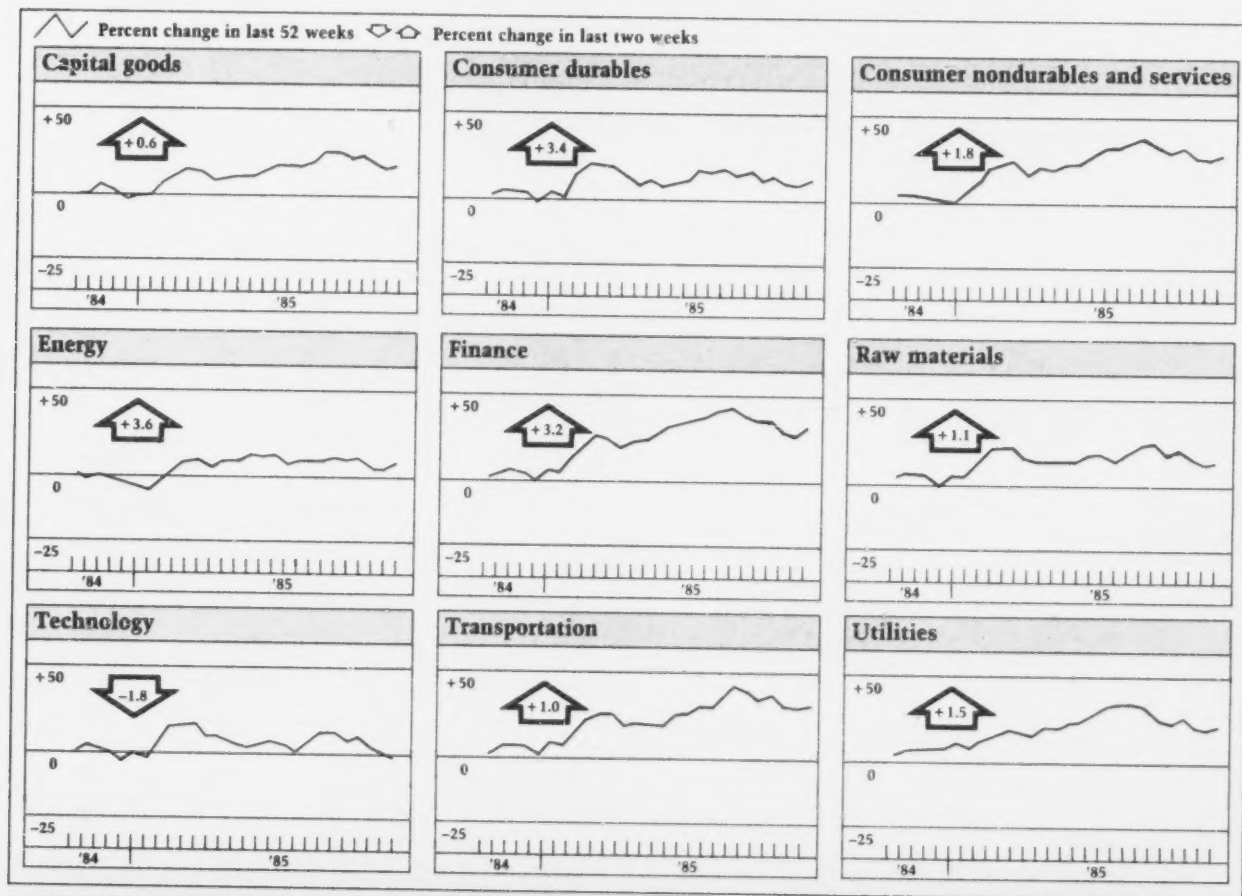
³A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 10/11/85. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

There's life in the old energy stocks yet. Oil and gas prices are heading south, but, thanks to takeovers and restructurings, energy firms are doing well, nonetheless. Oil patch issues are on top, with a 3.6% gain for the past two weeks. One of the leaders was Texas Oil & Gas, which gained more than 18%. TXO rose on takeover rumors related to Midcon and U.S. Steel.

Midcon, which only in September acquired United Energy Resources, another gas pipeliner, gained nearly 14%—because Midcon itself might now be swallowed up. Freeport-McMoran was up more than 13%. This company recently announced a five-year plan to distribute units in its gold company and oil and gas partnership to existing shareholders.



What The Analysts Think

The airlines take a dive. Over the last two weeks analysts cut 1986 earnings estimates for all Wilshire sectors except finance. Forecasts were lowered the most for transporta-

tion shares, especially airlines and freight forwarders. Among carriers showing the sharpest cuts: Delta, Eastern, NWA, Pan Am and Tiger International.

Forecasting the Forbes 500		
Performance period	Average earnings per share	P/E
latest 12 months	\$3.27	11.7
1985 estimates	3.79	10.1
1986 estimates	4.39	8.7

Rank based on change in estimate	Sector	Estimated 1985		% change in 1985 estimate	
		EPS	P/E	in 2 weeks	in 4 weeks
1	Finance	\$3.13	9.9	0.01%	0.00%
2	Utilities	3.34	7.7	-0.04	-0.43
3	Consumer nondurables	2.36	12.8	-0.12	-0.59
4	Consumer durables	4.89	8.2	-0.22	-1.39
5	Capital goods	2.58	12.1	-0.35	-2.48
6	Energy	3.45	8.5	-0.58	-1.39
7	Technology	2.51	12.6	-1.09	-2.50
8	Raw materials	1.81	13.3	-1.10	-3.31
9	Transportation	2.48	10.5	-1.86	-3.53

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 10/11/85. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.